

RECORDATION NO. 14791 A Filed 1425

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INTERSTATE COMMERCE COMMISSION

LEASE SUPPLEMENT NO. 1

Dated as of September 13, 1985

between

CONNELL FINANCE COMPANY, INC.,

Lessor

and

CENTRAL LOUISIANA ELECTRIC COMPANY, INC.,

Lessee

EXHIBIT A
(to Lease)

LEASE SUPPLEMENT NO. 1
DATED as of September 13, 1985
PURSUANT TO LEASE OF RAILROAD EQUIPMENT DATED AS OF JULY 26, 1985
(THE "LEASE") BETWEEN CONNELL FINANCE COMPANY, INC.,
AS LESSOR AND CENTRAL LOUISIANA ELECTRIC COMPANY, INC., AS LESSEE

The Lessor at the request of the Lessee, hereby agrees to acquire and lease to Lessee the Equipment described in Schedule A hereto under and pursuant to the Lease and the additional terms and conditions stated herein. The Lessor shall accept an assignment of the Lessee's purchase order(s) or purchase agreement(s) (or other similar documentation, as provided in Section 8 hereto), pertaining to said Equipment identified in said Schedule A, and all the Lessee's right, title and interest in and to the Equipment. The Lessee agrees to accept such Equipment (provided such Equipment conforms with all applicable specifications) and to lease the same from the Lessor under and pursuant to the Lease and the additional terms and conditions stated herein. Words and phrases not otherwise defined herein shall have the meanings assigned thereto in the Lease.

1. Description of Equipment. Schedule A attached hereto sets forth a description of the Equipment to be leased pursuant to the Lease and this Lease Supplement, the amount of the Purchase Price (the "Purchase Price") to be paid by the Lessor to acquire the Equipment, the Closing Date, the Manufacturer of the Equipment (the "Manufacturer"), and the lease group identifying letter with respect to each such Unit.

2. Closing Date. The Closing Date with respect to the Equipment is the date of this Lease Supplement as set forth in the heading hereto.

3. Fixed Lease Term. The term of the Lease for each Unit described herein shall commence on the date that such Unit is received and accepted by the Lessee (as evidenced by the Lease Supplement in respect thereof) and shall continue until the Termination Date.

4. Interim Rent Payable by Lessee. Interim Rent ("Interim Rent") for the Equipment shall be payable by the Lessee on such date (the "Interim Rent Payment Date") and at the rates as set forth in Schedule A attached hereto.

5. Basic Rent Payable by Lessee. Basic Rent ("Basic Rent") for the Equipment shall be payable by the Lessee on such dates (the "Rent Payment Date") and at the rates as set forth in Schedule A attached hereto.

6. Casualty and Termination Value. The Casualty and Termination Value for each Unit during the original term of the Lease shall be the percentage of the Lessor's Cost of such Unit as shown on Schedule B attached hereto for the relevant payment date.

7. Assumptions. The Assumptions used for all calculations of Basic Rent, the Rent Payment Dates, the Casualty and Termination Values and any other amounts payable to the Lessor by the Lessee pursuant to the Lease are as set forth in Schedule C hereto.

8. Warrantee Documents (the "Warranty Documents"). Lessee will provide Lessor with Warranty Documents substantially in the form of Schedule D hereto dated as of the date hereof. With the consent of the Lessor, which consent shall not be unreasonably withheld, and which consent shall be evidenced by Lessor's acceptance of such Equipment hereunder, the Lessee may provide Lessor with such substitute Warranty Documents as are necessary to convey all Manufacturer's warranty, title and interest in the Equipment to the Lessor.

9. Certifications, Representations and Warranties of the Lessee. The Lessee hereby certifies and agrees that:

a. the Equipment described in the attached Schedule A (the "Accepted Equipment") has been delivered to, and is now in the possession of the Lessee, on the date hereof and has been accepted by the Lessee under and pursuant to and subject to all terms and conditions of said Lease and the above captioned Lease Supplement which pertains to the Accepted Equipment.

b. the Accepted Equipment declared to be accepted hereby is in good order and condition, and conforms to all specifications and requirements.

c. the Purchase Price for each Unit of the Accepted Equipment is as set forth in the attached Schedule A.

d. all representations and warranties of the Lessee contained in Section 5 of the Lease are true and correct as of the date hereof.

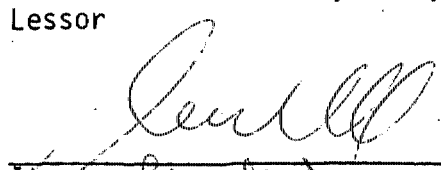
e. attached hereto are copies of the invoices pertaining to the Purchase Price of each Unit of the Accepted Equipment, each of which is true and correct. The execution of this Lease Supplement will in no way relieve or diminish the responsibility of the Manufacturer of the Equipment for any warranty it has made with respect thereto.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Supplement to be executed by their respective officers or employees thereunder duly authorized as of the day and year first above written.

CONNELL FINANCE COMPANY, INC.,
Lessor

By

Its


President

CENTRAL LOUISIANA ELECTRIC COMPANY,
INC., Lessee

By

Its


Vice President

STATE OF LOUISIANA)
PARISH OF RAPIDES) ss.:

On the 13th day of September, in the year 1985, before me personally came David M. Eppley, to me known, who being by me duly sworn, did depose and say that he resides at Binerille, La., that he is Vice-President of Central Louisiana Electric Company, Inc., the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that one of the seals affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

[NOTARIAL SEAL]

James D. Williams
Notary Public
my Commission expires at death

STATE OF NEW JERSEY)
COUNTY OF UNION) ss.:

On the 12th day of September, in the year 1985, before me personally came Grover Connell, to me known, who being by me duly sworn, did depose and say that he resides at Westfield, New Jersey, that he is President of Connell Finance Company, Inc., the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that one of the seals affixed to said instrument is such corporate seal; and that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

[NOTARIAL SEAL]

Marion Nechuta
Notary Public
MARION NECHUTA
Notary Public of New Jersey
My Commission Expires Mar. 30, 1988
Registered in Union County

SCHEDULE A

Equipment = 100 Ton Rotary Dump Railroad Coal Cars

<u>Number of Units</u>	<u>Serial Numbers</u>	<u>Closing Date</u>	<u>Purchase Price</u>	<u>Interim Rent Percentage</u>	<u>Interim Rent Payment Date</u>	<u>Basic Rent Percentage</u>	<u>Rent Payment Dates</u>
5	3001-3005	9/13/85	\$172,257.85	5.70%	3/1/86	6.11%	Beginning 9/1/86, 27 equal semiannual payments in arrears, and ending 9/1/99

SCHEDULE B

CASUALTY AND TERMINATION VALUES

<u>Rent Payment Dates</u>	<u>Percent of Purchase Price</u>	<u>Rent Payment Dates</u>	<u>Percent of Purchase Price</u>
3/1/86	89.83390	3/1/93	70.49396
9/1/86	91.17159	9/1/93	68.14724
3/1/87	91.20963	3/1/94	64.43991
9/1/87	91.94107	9/1/94	61.76253
3/1/88	91.06077	3/1/95	57.83332
9/1/88	91.13643	9/1/95	54.79561
3/1/89	89.29459	3/1/96	50.62513
9/1/89	88.62786	9/1/96	47.19475
3/1/90	85.76773	3/1/97	42.76189
9/1/90	84.26401	9/1/97	38.90364
3/1/91	81.12112	3/1/98	34.18541
9/1/91	79.35614	9/1/98	29.86098
3/1/92	76.04057	3/1/99	24.83234
9/1/92	73.99724	9/1/99	20.00000

In addition to the above percentages, an amount reflecting investment tax credit recapture is to be added to the percentages above.

<u>Casualty Occurrence or Event of Termination Occurs Before Applicable Anniversary of the Date of the Applicable Lease Supplement</u>	<u>Percentage of Lessor's Cost to be Added</u>
1	14.81481%
2	11.85185%
3	8.88889%
4	5.92593%
5	2.96296%

SCHEDULE C

ASSUMPTIONS

1. The Closing Date will occur on July 26, 1985, but in any event, will occur no later than December 31, 1985, and the Equipment will be deemed to have been placed in service on the Closing Date.

2. The Transaction Expenses will be amortizable by the Lessor ratably over the initial term of the Lease.

3. The Equipment will qualify as "new Section 38 property"; pursuant to Section 46 of the Code, the Owner will be entitled to the investment tax credit attributable thereto in an amount equal to 10% (or, if the Lessor so elects, 8%) of the basis for the Equipment described in paragraph 9 below; and such investment tax credit will be allowed in the Lessor's taxable year ending December 31, 1985.

4. The Equipment will continue to qualify as "section 38 property" during the 7-year period commencing on the Closing Date.

5. The Lessor's basis for the Equipment for the purpose of calculating the investment tax credit and depreciation will be equal to the Purchase Price.

6. The Equipment will not be sold, exchanged or otherwise disposed of at any time during the initial term of the Lease.

7. The Lessor will recognize no income or gain during the initial term of the Lease as a result of the Lessee's maintaining the Equipment or by reason of Lessee's making additions to or modifications of the Equipment.

8. No costs, fees, charges or expenses paid by the Lessee to any party (other than to the Lessor pursuant to the terms of the Lease) will be includible in the gross income of the Lessor (unless there is an offsetting deduction available to such party in the taxable year of inclusion or in a prior taxable year on account of the payment of such costs, fees, charges or expenses).

9. The Lessor's investment will be in the amount of the Purchase Price. In addition, on the Closing Date, the Lessor will pay the Transaction Expenses in an amount equal to \$5,000.

10. The Federal, state and local income tax rates applicable to the Lessor on July 26, 1985 will still be in effect on the Closing Date, and no change in the Code or a change in the applicable home state laws or a version of which has been proposed by any member of the legislative or executive branch which is enacted or will become effective on or before December 31, 1985 or a change in the income tax regulations, published administrative interpretations or judicial decisions thereunder will be both published, and effective on or before December 31, 1985.